

Alabama Medicaid's Regional Care Organizations

What are RCOs?

Regional Care Organizations (RCOs) are locally-led managed care systems that will ultimately provide healthcare services to most Medicaid enrollees at an established cost under the supervision and approval of the Alabama Medicaid Agency.

State legislation passed in 2013 and updated in 2014 created the new managed care structure to enable Medicaid to move away from a volume-based, fee-for-service environment to a payment system that incentivizes the delivery of quality health care and improved health outcomes.

Under the new structure, Alabama Medicaid will enter into contracts with RCOs to provide certain covered services for Medicaid patients at an established cost. The new system of care is based on a recommendation from the Alabama Medicaid Advisory Commission, created by Governor Robert Bentley in October 2012 to address ways to improve Medicaid's financial stability while also providing high-quality patient care.

How is an RCO different from commercial managed care?

RCOs are uniquely Alabama entities. By law, they are non-profit entities, incorporated in Alabama. They are governed by a board which includes both risk-bearing (12) and non-risk bearing (8) members.

Risk bearers contribute cash, capital or other assets to the RCO. Non-risk bearing members include statutorily-required appointments of five medical professionals who provide care to Medicaid recipients in the region in which the RCO operates. Three must be primary care physicians, including one from a federally qualified health center (FQHC), one optometrist and one pharmacist. The board must also include a business executive who works in the region and is nominated by a chamber of commerce in the region. The Citizens' Advisory Committee chair also serves on the governing board as does a CAC member who represents either Alabama Arise or a group that is part of the Disabilities Leadership Coalition of Alabama.

State law also requires each RCO to have a Citizens' Advisory Committee to advise on ways the RCO may be more efficient in providing quality care to Medicaid recipients. The CAC is to be inclusive and reflect the demographics and diversity of the state.

When will this system start and how will it work?

Implementation of full-risk Regional Care Organizations is slated to begin no later than October 1, 2016. At that time, Alabama Medicaid will pay a set monthly amount to each RCO which in turn will be responsible for paying for all RCO-covered services.

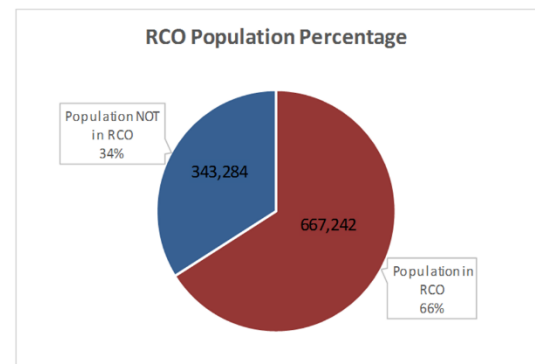
What healthcare services will RCOs be responsible for?

Most healthcare services now covered by Medicaid will be RCO-covered services as well. Some of the services to be covered by RCOs include hospital inpatient and outpatient care, emergency room services, primary and specialty care, services provided by a federally-qualified health center or rural health clinic, lab and radiology services, mental/behavioral health, eye care and maternity care. Long term care, dental care and pharmacy services are excluded now.

Who will be covered by the RCOs?

Approximately two-thirds of Alabama Medicaid's eligible population will receive their care via an RCO. Covered populations include aged, blind and disabled recipients, pregnant women and children under age 19 (formerly known as SOBRA recipients) and parent/caretaker relatives (formerly known as Medicaid for Low Income Families).

Excluded populations include individuals on Medicare, foster children, hospice patients, nursing home and institutional residents, home and community-based services (HCBS) waiver recipients, unborn recipients and Plan First family planning program recipients.



What steps is Medicaid taking to ensure that these organizations are able to provide and pay for services needed by Medicaid recipients?

One of the most important responsibilities of the state is to ensure that RCOs are able to meet all requirements required by law and comply with regulations developed to implement of the law.

As of January 1, 2015, 11 organizations have been awarded probationary certification by the state, allowing them to work toward full implementation by October 1, 2016. Before full certification is awarded, each probationary RCO must demonstrate that they have a sufficient number of providers and provider types to provide RCO-covered services by April 1, 2015. By October 1, 2016, probationary RCOs must also demonstrate that they can meet the financial solvency and financial requirements. Once those milestones are met, RCOs will be subject to a readiness review period during which the state will determine if they are able to provide services and fulfill the obligations of a risk contract.

In addition, Alabama Medicaid will offer probationary RCOs an opportunity to prepare for full implementation through participation in Medicaid's federally-approved Health Homes program. Participation in this interim program is expected to facilitate RCO network development, provide resources to the probationary RCOs, accelerate the RCOs ability to take capitation and ensure probationary RCOs' ability to manage patients.

Why are there five RCO regions and how were they chosen?

As required by state law, the state established regions that would ensure that there were a sufficient number of Medicaid recipients (as determined by an actuary) in each region. In developing the regions, state officials also sought to honor existing referral patterns, to keep health systems together when possible and to allow for more than one RCO in a region.



Will RCOs save money for the state?

There are four major factors that impact Medicaid costs: Enrollment, inflation, benefit package and federally-determined match rate (FMAP), most of which Alabama Medicaid has little control over. Federal eligibility mandates the state has no control over have increased Alabama's overall enrollment by almost 300,000 since 2007. The federal matching rate is based on economic factors over three years. Even so, Alabama Medicaid has one of the lowest costs per eligible in the nation.

Reforming the payment and finance system will not change the match rate and the people enrolled, but it potentially changes the incentives within the system. The incentive for providers will be to switch to value-based purchasing that will result in more appropriate utilization. For Medicaid's recipients, case management will ensure continuity of care and shift care to less expensive settings. The goal in moving to managed care is to shift the focus from visits and volume to outcomes and quality and give Medicaid the opportunity to "bend the cost curve" to provide a more predictable budgeting environment for the state legislature and better outcomes for Medicaid recipients.

What will Medicaid do to make sure that the quality of care that is provided to Medicaid recipients is not diminished under RCOs?

State law required the formation of a Quality Assurance Committee comprised of practicing healthcare professionals, 60 percent of which must be physicians. This group approved 42 quality measures that will be used for monitoring RCOs' performance, 10 of which will be incentivized under the new managed care system.

All but one of the 42 measures are nationally recognized and validated which will allow Alabama to compare its performance to other states and national benchmarks. The measures not only include metrics related to diabetes, asthma and well-child care, but mental and behavioral health, care coordination and if care is provided in the most appropriate location.

Does the federal government have to approve this change?

In order to implement RCOs in Alabama, the federal government must approve an exemption, or waiver, to the existing program. This will be done in the form of a Section 1115 Demonstration Waiver. Alabama's application for an 1115 Waiver was submitted on May 30, 2014. Since that time, agency officials have been in discussions with Centers for Medicare and Medicaid Services (CMS) regarding the waiver.

In September 2014, Alabama was one of three states selected by the National Governors' Association to receive technical assistance aimed at helping states use Medicaid to transform the delivery of services.

A critical part of Alabama's waiver request is its request to use federal funds that are expected to be saved over the five years of the waiver to support the state's transition to managed care.

For more information:

Alabama Medicaid Agency

www.medicaid.alabama.gov

Regional Care Organizations / Health Homes / Collaboration / Meetings

http://medicaid.alabama.gov/CONTENT/2.0_newsroom/2.7.3_Regional_Care_Organizations.aspx

